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November 10, 2004

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: David E. Janssen 
Chief Administrative Officer

SACRAMENTO UPDATE

On August 3, 2004, Governor Schwarzenegger released the California Performance Review (CPR) Report and appointed a 21-member commission to review the CPR and gather the public's perspective through eight public hearings held over a two-month period. Recently, the Commission issued the attached report entitled "The Commission's Perspective: Report of the CPR."

The Commission strongly concurs with the CPR that substantial changes are required in State government to ensure it operates effectively and efficiently. The Commission also suggests that the Administration review all of the CPR recommendations that could be implemented without legislative action and immediately act on those that are in the best interest of the State.

The report primarily focuses on the CPR recommendations related to statutory policy changes and government reorganization options requiring legislative approval. The Commission provides recommendations related to each of those categories, as well as recommendations on proposals that require further analysis and refinement.

Of particular interest to the County, the Commission's recommendations include:

- A suggestion to the Governor to initiate a thorough review of the allocation of responsibilities between the State and local governments with the objective of aligning responsibilities to the level most appropriate to the function.

- Support for the reorganization of the Health and Human Services Agency, as long as it is coordinated with, or postponed until, the Medi-Cal and CalWORKs program reforms and realignment initiatives are completed. The Commission strongly endorsed the creation of working groups with local representation to develop recommendations for program realignment.
- Support the CPR recommendation to appoint a statewide public health officer to coordinate various State programs with local and federal programs, and develop a strategic plan for a healthy California population.

In addition, the Commission also released "The Public Perspective: Report of the CPR" which consists of testimony collected from over 3,600 members of the public and organizations through the internet, letters and oral testimony heard at the public hearings held throughout the State. The report is over 500 pages and is available at <http://cpr.ca.gov/updates/archives/chreports.shtml>.

We will continue to keep you advised.

DEJ:GK
MAL:MR:ib

Attachment

c: Executive Officer, Board of Supervisors
 County Counsel
 Local 660
 All Department Heads
 Legislative Strategist
 Coalition of County Unions
 California Contract Cities Association
 Independent Cities Association
 League of California Cities
 City Managers Associations
 Buddy Program Participants

THE COMMISSION'S PERSPECTIVE:

A Report of the California Performance Review Commission

NOVEMBER 2004

■ INTRODUCTION

The Commission strongly concurs with the Governor and the members of the California Performance Review (CPR) team that substantial changes are required in California's state government to ensure that it operates effectively and efficiently for the state's citizens. It is highly commendable that the 1,200 recommendations resulting from the extensive CPR work are offered by California state employees, who are widely regarded as one of the most professional government employee workforces in the nation.

After eight full-day public hearings throughout the state and individual review of the CPR recommendations, the Commission finds that a significant number of proposals in the report should be implemented.

The Commission suggests that the Governor and his administration review all of the CPR recommendations that could be implemented without legislative action and immediately act on those that are in the best interest of the state. Indeed, some change has already begun.

The principal focus of the Commission's work over approximately two months has been the CPR recommendations related to those suggested statutory policy changes and government reorganization options requiring legislative approval.

Thus, presented below are the Commission's recommendations related to each category as well as proposals that may require further analysis and refinement. Also presented are the Commission's conclusions regarding certain recommendations that should not be pursued. Obviously, it has been impossible to comment on all recommendations; no inference either positive or negative should be drawn from this.

It should be understood that in the short time the Commission existed, its primary task was, of necessity, to conduct the series of public hearings on the proposals rather than to analyze and prioritize the many recommendations in the report.

With that understanding, the Commission's consensus policy and reorganization recommendations are presented below. It should be noted that while this document received consensus approval from the Commission it does not imply universal agreement with every recommendation. Additionally, all Commissioners have been invited to submit their personal observations and recommendations to the Governor.

Guiding Principles

- Make government more responsive and accessible to the people.
- Improve government operations, services and outcomes.
- Improve California's competitiveness.
- Better educate our future workforce.
- Establish and maintain positive partnerships with local and federal agencies.
- Optimize existing resources.

■ POLICY RECOMMENDATIONS

- Business improvement recommendations as well as those recommendations that improve service to the public should be evaluated by the Governor for feasibility and implemented through administrative actions as appropriate: Many CPR recommendations are aimed at improving operations and public access to state government. These recommendations may or could be implemented through administrative action as long as they do not require additional resources. Those requiring additional resources should be proposed through the budget process once their cost/benefit has been evaluated.
- Additional technology should be used to streamline state government operations and improve customer service: CPR focuses on the greater use of technology to advance an efficient, cost-effective, customer-friendly delivery of government services. The Commission endorses this concept and urges the Governor to further develop these proposals while keeping in mind that government must be readily available to those who do not have access to the Internet or advanced technology.
- Develop a strategic plan to meet the state's personnel needs: One-third of the state's workforce is eligible to retire in the next 3–5 years. The state must develop a strategic plan with regard to its workforce, addressing issues of recruitment, hiring, compensation, and workforce development. Further, a study should be commissioned to examine the executive compensation structure to ensure that the compensation system meets the state's needs. The study should examine total compensation (salary and wages, benefits, vacation time, etc.). As the plan is developed, input should be solicited from all interested parties. We strongly endorse the recommendations related to the training of state workers, and the objective of fostering a *culture of service*, believing that training should be given priority in department budgets.

■ REORGANIZATION RECOMMENDATIONS

Prior reorganization proposals of more limited scope have been developed internally within the executive branch and forwarded directly to the Little Hoover Commission and the Legislature for review. Given the comprehensive nature of the reorganization proposals developed by the CPR staff, the Commission finds that the public hearings afforded a meaningful opportunity to identify and evaluate the complexities involved in pursuing a comprehensive reorganization of state government. With the CPR Commission hearing from over 3,600 individuals and organizations, we encourage the Governor to continue his efforts to involve the public as he pursues the reorganization process.

With certain exceptions, the Commission supports, in concept, the major reorganization proposals made by the CPR team. This is especially true with respect to the establishment of an Infrastructure Department and the establishment of an Environmental Protection Department. It should be left to the administration to propose the precise make-up of each department, but the Commission specifically suggests retaining the existing Air Resources Board within the Environmental Protection Department.

■ INFRASTRUCTURE DEPARTMENT

A major objective to be accomplished in the formation of an Infrastructure Department is the consolidation, into one state agency, of the responsibility for planning and prioritizing the state's capital infrastructure needs. There is valid concern that expertise must be maintained and that the state/local process be respected, particularly in the areas of transportation and water. The Department should be responsible for regularly updating the five-year capital facilities budget now required by law. The five-year capital infrastructure budget plan would include water, energy, transportation, housing and other state capital needs. This function would be transferred from the Department of Finance.

The Commission agrees that the state needs greater uniformity in planning, management and implementation of water resource programs. We believe that

to realize efficiencies these efforts need to be streamlined and restructured, whether housed in the proposed Resources Department or the Infrastructure Department. The Commission has heard a great deal of discussion about conflicting water policy between the Regional Water Quality Control Boards and the State Water Resources Control Board. While there is a need for regional input or representation, there is a greater need for consistency in interpretation. We need a streamlined process for resolving inconsistencies and conflict between the state and regional boards.

The Commission agrees with the need to consolidate energy regulatory agencies. Because of the state's critical need for adequate supply at reasonable prices, the state must streamline its process to facilitate investment in energy infrastructure and provide clear direction as to who has the authority to site new facilities.

■ OFFICE OF MANAGEMENT AND BUDGET.....●

The Commission agrees that strong cross-functional policy development and budgeting capabilities should be centralized in an Office of Management and Budget (OMB). The functions of the Department of Finance, the strategic policy responsibilities of the Office of the Chief Information Officer and the bargaining authority of the Department of Personnel Administration should be consolidated within the OMB Executive Office. In addition, the Office of Administrative Law and the Office of Administrative Hearings should be maintained as separate divisions within the OMB. The administrative functions of the Department of Personnel Administration and the State Personnel Board should be consolidated into a Personnel Services entity within the OMB. The adjudicatory functions of the State Personnel Board should be maintained as an independent board within the OMB.

Operations functions, including managing the day-to-day operations of fleet, printing, data centers, etc., should be administered under a Chief Operating Officer (or similar position) under a Business Services Division within the Department of Commerce and Consumer Protection.

■ TAX COLLECTION AND ADMINISTRATION.....●

The Commission strongly believes that this process is in real need of clarification for the citizens it serves. Tax administration functions, such as collection and monitoring, should be consolidated from the four different tax collection agencies in order to streamline processes and enhance operations. While the Commission supports an elected appellate body for tax adjudication functions, a further study should be undertaken to determine the appropriate governing structure for the other tax collection activities. Such a study should consider, among other issues, the public's expectation of accountability and equity as well as the role of the Executive Branch in tax collection responsibilities.

■ CORRECTIONS.....●

The Commission endorses the Independent Review Panel's recommendation that state corrections functions be consolidated into a single department. The Commission heard compelling testimony from former Governor Deukmejian that a Citizen Oversight Commission be created. We support the Citizen Oversight Commission with the following modification: The Commission should be created as an advisory board to the Director of the Department of Corrections, but not have administrative authority. It is imperative that the management of the Department appointed by the Governor be empowered to run the state's prisons.

We also recommend that the Department of Corrections' administrative functions, such as personnel and procurement, be centralized within the Department, and that selection of wardens should not require Senate confirmation.

■ LABOR AND WORKFORCE AGENCY.....●

Economic development activities should be transferred to the Department of Commerce and Consumer Protection. Economic development issues are better

aligned with the overall mission of that department instead of the proposed Labor and Economic Development Department. We support moving the Public Employee Relations Board, and the Department of Fair Employment and Housing into the Labor and Workforce Development Agency.

■ EDUCATION AND VOLUNTEERISM.....●

- The Board of Governors and the Chancellor's Office of the California Community Colleges should be retained and be given enhanced authority. The Community College system is an important provider of higher education to the state's residents and should be able to shape educational policy for its students.
- We recommend no changes be made to the Student Aid Commission, which was successfully restructured in 1997.
- We support the need to develop a comprehensive plan to develop technical education to meet workforce and student needs.
- We support improved articulation between the community colleges and California State University and University of California systems.
- While the Commission believes that performing volunteer service and service learning are important goals and that both should be encouraged and facilitated, the Commission does not believe they should be mandated. Both CSU and UC are currently encouraging volunteer service, and should continue seeking opportunities to expand that practice.
- The Commission supports placing the California Arts Council into the California Service Corps within the Governor's Office, however, special attention needs to be given to preserve its mission.

■ CPR RECOMMENDATIONS REQUIRING FURTHER STUDY.....•

HEALTH AND HUMAN SERVICES

Major reorganization of the Health and Human Services Agency (HHS) should be coordinated with or postponed until the Medi-Cal, CalWORKs and other program reforms and realignment initiatives are completed. The creation of working groups to develop recommendations for program realignment is strongly endorsed by the Commission. Such working groups should include representation from local government and the exact structure of the Health and Human Services Agency should be contingent upon the outcome of this work.

While the restructuring of the HHS Agency will be dependent on the reform and realignment discussions, two recommendations within CPR should be pursued: First, a statewide public health officer should be appointed to assure that health efforts are coordinated among the various state programs, to coordinate health efforts among local and federal programs, and to develop a strategic plan to ensure a healthy California population; and second, the Governor should direct the Department of Mental Health and the Department of Alcohol and Drug Programs to coordinate their services and activities to better serve their shared client population. This latter point should be accomplished through a written memorandum of understanding.

Finally, the Commission believes the professional licensing functions of the current Department of Consumer Affairs should remain within the new Commerce and Consumer Protection Department.

■ PUBLIC SAFETY AND HOMELAND SECURITY.....•

- Peace Officers employed by various state departments should be left in place and not consolidated into a public safety department. Inter-agency agreements and an *all hazards approach* should be executed to

permit peace officers to be called upon in the event of emergency. The Commission further believes that the reorganization recommendation put forward by the California Highway Patrol Association and the California Firefighters should be considered as an alternative.

- Emergency Management Services should not be transferred from HHS to the new Public Safety Department.
- The Victims Compensation Board and the Victims' Services Division of the Office of Emergency Services should be consolidated and transferred to the Department of Commerce and Consumer Protection or, alternatively, to the Office of the Attorney General.

■ **OTHER REORGANIZATION CONSIDERATIONS.**

- The California Science Center and African American Museum should report to the Secretary of the Resources Department. A task force should be formed to determine whether these facilities would be more appropriately operated at the local level and to identify resources that may be necessary to effectuate a potential, phased transfer.
- The Commission heard a great deal about the nine conservancies throughout the state. These conservancies acquire lands for habitat protection and provide important public access to open spaces. While some of these conservancies clearly have a statewide focus, such as the State Coastal Conservancy, it is clear some are more locally or regionally focused. It is the Commission's recommendation that these conservancies be reviewed using the same criteria as boards and commissions. However, for those that are transitioned to local control it will be important to:
 1. make provisions for bridging annual support for operating expenses and
 2. maintain the eligibility of these local conservancies to access to voter-approved bond funding.

■ **BOARDS AND COMMISSIONS**

The Commission received significant testimony on the CPR recommendations regarding boards and commissions. Boards and commissions enable public participation and subject matter expertise in particular fields. The Commission recommends that the administration evaluate the boards and commissions proposed for elimination in accordance with the following suggested criteria:

- **Does the entity serve a worthy state purpose:** State boards and commissions should serve a statewide interest. Boards and commissions strictly serving a local function should be eliminated and/or transferred to local agencies or converted to a local non-profit agency or public-private corporation. For example, county fair boards should be considered for transfer to local jurisdictions. There may be a state role, however, for boards and commissions crossing several jurisdictions.
- **Consistent application of law and development of regulations:** Boards and commissions should be structured to ensure that rules and regulations are uniformly applied across the state. An example of this type of board is the Air Resources Board.
- **Independence is critical for operations:** Board and commission structures can be used to preserve independence when needed, such as quasi-judicial or appellate responsibilities. Examples of this include the State Personnel Board.
- **Some statutory boards and commissions should be transitioned to advisory boards, appointed by agency secretaries and department directors:** In some cases, board and commission members can be best selected by agencies and departments and do not require gubernatorial approval.
- **Protect public health and safety:** These boards regulate requirements for protecting public health and safety in providing services, i.e., health professionals.

- **Boards enabling the state to receive federal funds:** An example of this would be the Heart Disease and Stroke Prevention and Treatment Task Force, which is commissioned to create a statewide master plan for the coordination and delivery of stroke and cardiac care. These boards and commissions should be reviewed periodically.
- **Limit pay for board and commission members:** Pay should correlate to the time that individuals actually work on issues for the board, i.e., full-time pay for full-time work. Board members who work a few days a month or less should not be paid a full-time salary but rather a *per diem*, or paid reduced compensation based on workload.
- **Boards and commissions should not have line operational functions:** The role of boards and commissions should be limited to specific roles outlined above, unless otherwise mandated. Boards and commissions should not have direct line control over operations.

All boards and commissions should be contained within a cabinet agency, department or under a constitutional officer with a consolidation of administrative services. Independent boards and commissions also should be coordinated through cabinet agencies and departments or under a constitutional officer to ensure better accountability as well as enhanced operation and communication within the Executive Branch. At present, many independent boards are contained within an agency/department structure while still preserving their independence. Examples of this include Public Employees Retirement System and the State Personnel Board within the State and Consumer Services Agency. An exception to the above recommendation would be the Little Hoover Commission.

All boards and commissions should be reviewed and/or reauthorized on a regular basis. Boards and commissions should be periodically reviewed to ensure that the original purpose for their creation still exists. There are many examples of boards and commissions within state government that have outlived their

usefulness but nonetheless still exist, many of which are not even in operation, and should be officially terminated.

Boards and commissions that have finance authority should be evaluated to determine the impact of the transfer or elimination of their outstanding bonds. Boards in this category include the State Public Works Board and State Water Resources Control Board.

■ MAJOR STATEWIDE ISSUES REQUIRING FURTHER REVIEW

The Commission concludes that the CPR recommendations do not address the fundamental governance issues related to the state's public schools. The division of responsibility over elementary and secondary education among several state, county and local authorities has resulted in little or no clarity and accountability for student achievement.

The Commission recommends that the Governor appoint a small taskforce of individuals who are not aligned with any education constituency to recommend a clear education governance structure that maximizes student achievement as the primary goal at all levels.

Finally, while outside the scope of the California Performance Review, the Commission suggests that the Governor initiate a thorough review of the allocation of responsibilities among and between state and local governments. The objective of the review should be to identify options for:

- (1) Improving the alignment of those program responsibilities and allocation of revenue sources among the various levels of government;
- (2) Achieving an equitable distribution of revenues among the various local governments; and
- (3) Strengthening fiscal incentives for promoting economic growth and effective program administration.